

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Mary Margaret Whipple

2. **Bill Number** SB 64

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Motor Vehicle Fuel Sales Tax: 2% Increase
in the Northern Virginia Transportation
District

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase the motor vehicle fuel sales tax from 2% to 4% in the Northern Virginia Transportation District. This bill would also require every city and county located within the Northern Virginia Transportation District, in the first full year of the 2% motor vehicle fuel sales tax increase, to reduce their real property tax rate in order to reduce real property tax revenues by an amount equal to the increase in the motor vehicle fuel sales tax revenue generated. The reduction in the real property tax rate would only be required for the first fiscal year of the motor vehicle fuels sales tax increase.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2006-07	\$25.0 million	NGF
2007-08	\$28.3 million	NGF
2008-09	\$29.2 million	NGF
2009-10	\$30.0 million	NGF
2010-11	\$30.1 million	NGF

7. **Budget amendment necessary:** Yes.
Page 1, Revenue Estimates.

8. **Fiscal implications:**

Administrative Costs Impact

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our

systems and forms. As stand-alone legislation, TAX considers implementation of this bill as “routine,” and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not “routine.” Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

This bill would result in an increase of motor vehicle fuel sales tax revenue in the Northern Virginia Transportation District of \$25.0 million in FY 2007, \$28.3 million in FY 2008, \$29.2 million in FY 2009, \$30.0 million in FY 2010, and \$30.1 million in FY 2011. These revenue estimates are based on an average price of \$2.15 per gallon of gasoline. Any motor vehicle fuels sales tax increase in the first fiscal year requires a reduction in the local real property tax rate in all cities and counties in the Northern Virginia Transportation District. The offset in tax revenues is required for the first year only.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Treasury
Department of Accounts
Arlington County, Fairfax County, Cities of Alexandria, Fairfax, and Falls Church

10. Technical amendment necessary: No.

11. Other comments:

Generally

Pursuant to Virginia Code § 58.1-1720, certain transportation districts are authorized to impose a sales tax of two percent on the retail price of motor vehicle fuels. Counties in the Northern Virginia Transportation District and the Potomac-Rappahannock Transportation District are authorized to impose this tax. This bill would increase the tax rate in Northern Virginia Transportation District from 2 percent to 4 percent, while leaving the tax rate in the Potomac-Rappahannock Transportation District at the current level of 2 percent.

This bill also requires that the revenues realized by the increase proposed in this bill be off-set by a reduction in the real estate tax rate in order to decrease real estate tax revenues in an amount equal to the tax 2% motor vehicle fuels sales tax increase for each locality in the Northern Virginia Transportation District. The reduction in the real property tax rate would only be required for the first full fiscal year of the motor vehicle fuels sales tax increase.

Similar Legislation

House Bill 145 would make the imposition of the motor vehicle fuels sales tax optional for the localities in the Northern Virginia Transportation District and the Potomac-Rappahannock Transportation District.

cc : Secretary of Finance

Date: 01/29/2006 WBS
SB0064F161